

Development group sues 3 businesses

Loan agency wants \$84,000 back

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The Oakland Business Development Corp. under investigation for alleged irregularities in its handling of federal community development subsidies, has filed suit against three local businesses that allegedly owe the beleaguered corporation more than \$84,000.

The lawsuits were filed Wednesday in Alameda County Superior Court against Esther and Dewayne Clay, owners of Lady Esther's House of Soul Food on East 14th Street, Sondra Williams of Robes International at 1611 Clay St. and Stanley Stafford, owner of Stafford's Refrigeration Co., which has operated out of Oakland and Hayward offices.

OBDC, a non-profit organization set up by the city in 1979 to allocate about half a million dollars in federal small business loan money to spur local development, alleges that the Clays owe \$20,167 plus penalties and interest on a principal sum of \$23,000 loaned them in July 1980. The corporation also alleges that Stafford owes \$13,465 on a \$16,000 loan taken out in May 1980, plus interest and penalties, and that Williams owes \$50,000 for a \$50,000 loan on which no payments were ever made.

The development corporation lost its authority to award federal loans two months ago, when the city conceded that both its auditors and federal grand jurors were investigating alleged irregularities in OBDC's loan practices. Federal and municipal investigators are looking into allega-

tions that OBDC assets are missing and that corporate officials may have loaned money to businesses that didn't qualify.

David Alexander, who took over as OBDC attorney in November, said the corporation will sue at least two other local businesses for loan defaults as part of an effort "to clean things up."

"One thing I was hired to do, before they came under scrutiny, was to look at loans and go after those in default," he said.

Alexander said OBDC notified 10 local businesses that they were behind on their loan payments and are suing the five owners who did not respond.

"When I was hired the organization had already voted to get its house in order," Alexander said.

In a series of articles on OBDC's problems published recently in the Oakland Tribune/Eastbay TODAY, questions were raised about the propriety of a number of OBDC loans, including the \$16,000 loaned Stafford.

Peter Robinson, special assistant U.S. attorney in San Francisco confirmed Thursday that his office has closed its investigation of Stafford's loan award, after finding "no evidence of any wrong-doing."

"I have always run an honest business," Stafford said. "At one point we were totally flattened, and business really got bad. But within a month I'll be out of the hole. Whatever I owe, I can pay."

Neither the Clays nor Williams could be reached for comments. But Esther Clay was vociferous in her criticism of OBDC and its loan policies during an interview for the articles about the agency.

She said then that OBDC had loaned her the \$23,000 and then required her to hire a contractor who allegedly did such sloppy work that she had to pay to have it redone.